



Schedule ND-1SA

North Dakota Office of State Tax Commissioner Statutory Adjustments

2007
Attach to Form ND-1

Please type or print in black or blue ink. See separate instructions.

Your name as shown on Form ND-1

Your Social Security Number

- Complete and attach this schedule to Form ND-1 if any of the adjustments listed on this schedule apply to you
- Attach any official schedule that is required to be completed and attached (as indicated in parentheses)

1. Renaissance zone income exemption (Attach Schedule RZ) (S7) 1 _____
2. New or expanding business income exemption under N.D.C.C. ch. 40-57.1 (NH) 2 _____
3. Human organ donor expense deduction (NL) 3 _____
4. Total other subtractions. Add lines 1 through 3. Enter result on Form ND-1, page 1, line 14 4 _____

Schedule ND-1TC

North Dakota Office of State Tax Commissioner Tax Credits

2007
Attach to Form ND-1

Please type or print in black or blue ink. See separate instructions.

- Complete and attach this schedule to Form ND-1 if you are claiming any of the tax credits listed on this schedule
- Attach any official schedule that is required to be completed and attached (as indicated in parentheses)

1. Family member care credit (Attach Schedule FC) (S2) 1 _____
2. Renaissance zone credit (Attach Schedule RZ) (S3) 2 _____
3. Agricultural commodity investment credit (See worksheet in instructions) (NE) 3 _____
4. Seed capital investment credit (See worksheet in instructions) (NG) 4 _____
5. Planned gift credit (Attach Schedule PG) (NM) 5 _____
6. Biodiesel fuel supplier (wholesaler) credit (NN) 6 _____
7. Biodiesel fuel seller (retailer) credit (NO) 7 _____
8. a. **New!** Employer internship program credit (NP) 8a _____
 b. Number of eligible interns hired in 2007 (NQ) 8b _____
 c. Total compensation paid to eligible interns in 2007 (NR) 8c _____
9. a. **New!** Microbusiness credit (NS) 9a _____
 b. Amount of qualifying new investment (NT) 9b _____
 c. Amount of qualifying new employment (NU) 9c _____
10. a. **New!** Research expense credit (NV) 10a _____
 b. **New!** Research expense credit purchased from another taxpayer (NW) 10b _____
11. **New!** Angel fund investment credit (NX) 11 _____
12. **New!** Endowment fund credit from passthrough entity (NY) 12 _____
13. **Total other credits.** Add lines 1 through 8a, 9a, and 10a through 12.
 Enter the result on Form ND-1, page 2, line 22 (NZ) 13 _____

Instructions for Schedules ND-1SA and ND-1TC

Supplemental schedules to Form ND-1

New for 2007!

Schedules ND-1SA and ND-1TC, which are combined on one form, are new supplemental schedules for Form ND-1.

A number of deductions and tax credits that were previously listed on Form ND-1 were removed from Form ND-1 and placed on the two new supplemental schedules to accommodate legislative changes made by the 2007 North Dakota Legislature.

Schedule ND-1TC also contains five new income tax credits for 2007—see lines 8 through 12 of that schedule.

Purpose of form

You must complete this form and attach it to your Form ND-1 if you are claiming any of the adjustments or tax credits shown on the schedules.

Specific instructions for Schedule ND-1SA

Line 1 - Renaissance zone income exemption

If you qualified for the business or investment income exemption under the North Dakota Renaissance Zone Act (N.D.C.C. ch. 40-63), enter the amount from Schedule RZ, Part 6, line 1. **Attach Schedule RZ.**

Line 2 - New or expanding business income exemption

If you operate a business as a sole proprietorship and you were granted a new or expanded business income exemption

under N.D.C.C. ch. 40-57.1, enter the portion of your net business income that is eligible for the exemption. For more information on how to calculate the amount of the exempt income, see North Dakota Administrative Code § 81-03-01.1-06.

Include on this line a new or expanding business income exemption from a 2007 North Dakota Schedule K-1.

Line 3 - Organ donor deduction

If you or your dependent, while living, donates part or all of a liver, pancreas, kidney, intestine, lung, or bone marrow for transplantation into another human being, you may deduct up to \$10,000 of qualified expenses related to the donation that you incurred during the 2007 tax year.

Qualified expenses means:

- Lost wages not compensated for by sick pay; and
- Medical expenses (as defined for federal income tax purposes) that you did not deduct in calculating your federal taxable income. Medical expenses for which you receive reimbursement under an insurance plan or other source do not qualify for the deduction.

Medical expenses are incurred when the medical care giving rise to the expense is actually provided, and not when the expenses are billed or paid.

Enter on this line qualified expenses incurred during the 2007 tax year.

Specific instructions for Schedule ND-1TC

Changed for 2007!

Line 1 - Family member care credit

A tax credit is allowed for paying qualifying expenses for the care of a disabled or elderly family member. Obtain **Schedule FC** for details including the changes made by the 2007 Legislature. **Attach Schedule FC.**

Line 2 - Renaissance zone credit

If you qualified for a tax credit under the North Dakota Renaissance Zone Act (N.D.C.C. ch. 40-63), enter the amount from Schedule RZ, Part 6, line 6. **Attach Schedule RZ.**

Line 3 - Ag commodity investment credit

If you made a qualified investment in an agricultural commodity processing facility under N.D.C.C. ch. 57-38.6, enter your allowable credit on this line. You will know if you made a qualified investment by way of the investment reporting form that the facility is required to provide to you at the time you made your investment.

For qualified investments that you made directly in a facility during the 2007 tax year, the credit is equal to 30% of the total amount invested, of which no more than \$50,000 may be used on your 2007 return or any carryover year's return.

Credit from passthrough entity. Include on this line an agricultural commodity investment tax credit from a 2007 North Dakota Schedule K-1. **Note:** Of the total credits from your direct investments and the credits received from passthrough entities for 2007 investments, no more than \$50,000 may be used on your 2007 return or any carryover year's return.

Unused credit carryover. The portion of the credit attributable to 2007 investments that you are unable to use on your 2007 return may be carried forward and used on subsequent years' returns for up to 10 tax years.

Carryover from prior year. Include on this line the allowable portion of an unused credit from a prior tax year. For an unused credit from tax years 2001 through 2004, the amount you may use from each year is limited to the smaller of: (1) The unused credit; (2) 50% of the total credit allowed on the initial investment; (3) \$3,000; or, (4) 50% of your 2007 income tax liability before credits. For an unused credit from tax years 2005 and 2006, the amount you may use from each year is limited to the smaller of: (1) The unused credit; (2) 50% of the total credit allowed

on the initial investment; (3) \$25,000; or, (4) 50% of your 2007 income tax liability before credits. **Note:** *If the unused credit is attributable to the 2004 retroactive relief credit passed by the 2005 North Dakota Legislature, the amount of unused credit you may use is limited to the smaller of: (1) The unused credit; (2) 25% of the total credit allowed on the initial investment; or (3) \$18,750.*

Cumulative limit. You are allowed to claim no more than \$250,000 in cumulative tax credits for investments made in tax years after 2004.

Line 4 - Seed capital investment credit

If you made a qualified investment in a qualified business for purposes of the seed capital investment credit under N.D.C.C. ch. 57-38.5, enter your allowable credit on this line. You will know if you made a qualified investment by way of the investment reporting form that the qualified business is required to provide to you at the time you made your investment.

For qualified investments that you made directly in a qualified business during the 2007 tax year, the credit is equal to 45% of the total amount invested, of which no more than \$112,500 may be used on your 2007 return or any carryover year's return.

Credit from passthrough entity. Include on this line a seed capital investment tax credit from a 2007 North Dakota Schedule K-1. **Note:** Of the total credits from your direct investments and the credits received from passthrough entities for 2007 investments, no more than \$112,500 may be used on your 2007 return or any carryover year's return.

Unused credit carryover. The portion of the credit attributable to 2007 investments that you are unable to use on your 2007 return may be carried forward and used on subsequent years' returns for up to 4 tax years.

Carryover from prior year. Include on this line the allowable portion of an unused credit from a prior tax year. For an unused credit from tax years 2003 through 2006, the amount you may use from each

year is limited to the smaller of: (1) The unused credit; (2) One-third of the total credit allowed on the initial investment; or (3) \$37,500. **Note:** *If the unused credit is attributable to the 2004 retroactive relief credit passed by the 2005 North Dakota Legislature, the amount of unused credit you may use is limited to the smaller of: (1) The unused credit; (2) 25% of the total credit allowed on the initial investment; or (3) \$28,125.*

Line 5 - Planned gift credit

A tax credit is allowed for making a charitable contribution to a qualified nonprofit organization in North Dakota under a qualifying planned gift arrangement. **Attach Schedule PG.**

Line 6 - Biodiesel fuel supplier credit

A tax credit is allowed to a licensed supplier (wholesaler) of biodiesel fuel for blending biodiesel fuel with a minimum 5% blend ("B5") that meets ASTM specifications. The credit is equal to 5 cents per gallon blended. Include on this line an allowable unused credit from a prior tax year and a biodiesel fuel supplier credit from a 2007 North Dakota Schedule K-1. An unused credit attributable to 2007 blending activity may be carried over and used on subsequent years' returns for up to 10 tax years.

Line 7 - Biodiesel fuel seller credit

A tax credit is allowed to a licensed seller (retailer) of biodiesel fuel. The credit is equal to 10% of the costs to adapt or add equipment to the seller's facility to enable it to sell biodiesel with a minimum 2% blend ("B2") that meets ASTM specifications. The credit is allowed in each of 5 tax years, starting with the tax year in which sales of the eligible fuel begin. Except for costs incurred before January 1, 2005, eligible costs incurred before the tax year in which sales of the eligible biodiesel fuel begin may be included. Include on this line an allowable unused credit from a prior tax year and a biodiesel fuel seller credit from a 2007

North Dakota Schedule K-1. An unused credit (not including any carryover from a prior year) in each of the initial 5 tax years may be carried over and used on subsequent years' returns for up to 5 tax years. A seller is allowed no more than \$50,000 of credits in all tax years.

New for 2007!

Line 8 - Employer internship program credit

A tax credit is allowed to an employer for hiring an eligible college student under a qualifying internship program set up in North Dakota. The credit is equal to 10% of the compensation paid to up to 5 eligible interns. An eligible college student is one who is enrolled in an institution of higher education or vocational technical education program in a major field of study closely related to the work to be performed. A qualifying internship program is one in which the intern is supervised and evaluated by the employer, and the internship qualifies the student for academic credit. A taxpayer is allowed no more than \$3,000 of credits for all tax years.

Line 8a. Enter the allowable credit on this line. Include on this line an employer internship program credit from a 2007 North Dakota Schedule K-1.

Line 8b. Enter the number of eligible interns hired during your 2007 tax year. *Disregard this line if the credit is from a passthrough entity.*

Line 8c. Enter on this line the total amount of wages, salaries, or other compensation paid to eligible interns during the 2007 tax year (as shown on their 2007 Form W-2s). *Disregard this line if the credit is from a passthrough entity.*

New for 2007!

Line 9 - Microbusiness credit

A tax credit is allowed to an eligible small business certified as a microbusiness by the ND Commerce Department's Division of Economic Development and Finance (EDF). For eligibility requirements, see

N.D.C.C. § 57-38-01.27. For information on obtaining certification, go to EDF's web site at www.growingnd.com.

The credit is equal to 20% of the total of new investment and new employment:

- “New investment” is equal to the excess of the cost of real property and depreciable personal property located in North Dakota purchased during the 2007 tax year over the cost of real property and depreciable personal property located in North Dakota purchased during the 2006 tax year. Do not include the cost of vehicles registered for operation on North Dakota roads and highways.
- “New investment” also includes the excess of eligible rent paid to lease buildings and depreciable personal property located in North Dakota during the 2007 tax year over the eligible rent paid for similar property during the 2006 tax year. “Eligible rent” means the average net annual rent multiplied by the number of years, not to exceed 10 years, that you are obligated under the lease; however, do not include any increase in rent for property under a lease entered into prior to the 2007 tax year.
- “New employment” is equal to the excess of compensation paid to North Dakota resident employees during the 2007 tax year over the compensation paid to North Dakota resident employees during the 2006 tax year. Do not include salary increases, cost of living adjustments, or any other increase in compensation not directly related to the hiring of new employees during the 2007 tax year.

If you are unable to use all of the credit on your 2007 return, you may carry over and use the unused credit on subsequent years' returns for up to 5 tax years.

Cumulative limit. You are allowed to claim no more than \$10,000 in cumulative tax credits for all tax years.

Line 9a. Enter the allowable credit on this line. Include on this line a microbusiness credit from a 2007 North Dakota Schedule K-1.

Line 9b. Enter on this line the new investment during the 2007 tax year on which the credit was based. *Disregard this line if the credit is from a passthrough entity.*

Line 9c. Enter on this line the new employment during the 2007 tax year on which the credit was based. *Disregard this line if the credit is from a passthrough entity.*

New for 2007!

Line 10 - Research expense credit

A tax credit is allowed for conducting qualified research in North Dakota. The credit is allowed on qualified research expenses that exceed base period research expenses. These terms have the same meaning as those defined under I.R.C. § 41, but only to the extent they were incurred within North Dakota. For the 2007 tax year, the tax credit is calculated by subtracting the North Dakota base period research expenses from North Dakota qualified research expenses and applying the following rates to the result:

- 25% of the first \$100,000; and
- 20% of the amount over \$100,000.

Tax planning note: The 25% credit rate applies to the first \$100,000 of excess expenses in all tax years. However, the 20% credit rate for excess expenses over \$100,000 applies to the 2007 through 2016 tax years, and changes to 8% after the 2016 tax year, only if qualified research is first conducted within North Dakota in the 2007, 2008, 2009, or 2010 tax year. If qualified research is first conducted within North Dakota after the 2010 tax year, the credit for excess expenses over \$100,000 is 8%.

If you are unable to use all of the credit on your 2007 return, you may carry the unused credit back to the previous 3 tax years and forward to the subsequent 15 tax years. You must carry the credit back to the earliest tax year first, then to each succeeding tax year until it is used up.

Election to sell, assign, or transfer unused credit. If you have an unused research credit and you obtain certification

as a “qualified research and development company,” you may elect to sell, assign, or transfer the unused credit to another taxpayer. For the conditions and procedures, including the reporting requirements that must be followed, see N.D.C.C. § 57-38-30.5(8). Application for certification must be made to the ND Commerce Department's Division of Economic Development and Finance (EDF). For information on obtaining certification, go to EDF's web site at www.growingnd.com.

Line 10a. Enter the allowable credit on this line. Include on this line a research credit from a 2007 North Dakota Schedule K-1. *Do not include on this line any research credit that you obtained from another taxpayer through a sale, assignment, or transfer—report this amount on Line 10b.*

Line 10b. Enter on this line a research credit that you obtained from another taxpayer through a sale, assignment, or transfer.

New for 2007!

Line 11 - Angel fund investment credit

A tax credit is allowed for making a qualified investment in an angel fund incorporated in North Dakota. The credit is equal to the smaller of (1) 45% of the investment or (2) \$45,000. If you are unable to use all of the credit on your 2007 return, you may carry over and use the unused credit on subsequent years' returns for up to 4 tax years. To maintain eligibility for the credit, the investment must be at risk in the angel fund for at least 3 years from the date of the investment. If you claim this credit, you may not claim a seed capital investment tax credit passed through to you by the angel fund.

New for 2007!

Line 12 - Endowment fund credit

Enter on this line an endowment fund credit from a 2007 North Dakota Schedule K-1.